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C O R R E C T E D C O P Y - TEXT. PARAGRAPH 1 AND 7.

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SUBJECT: EGYPT REACTS TO CONGRESSIONAL CONDITIONS ON US
ASSISTANCE

Classified by Ambassador Francis Ricciardone for reasons 1.4
(b) and (d).

11. (C) SUMMARY: Since the Eid, Egyptian reaction to Congressional conditioning of US assistance has become more pronounced. Privately, GOE officials have expressed anger but hope that the Secretary will waive the conditionality. On December 23, Minister for Foreign Affairs Aboul Gheit told Ambassador that he had raised this issue with Secretary Rice in Paris, and urged that she issue the waiver "immediately." On December 26, Aboul Gheit publicly denounced meddling by a "third party" in US-Egyptian relations, and said the conditionality reflected Israel's attempts to influence Egyptian moves towards Hamas. The decision has received considerable local media coverage. Egypt has taken some meaningful steps on improving police human right performance and Gaza border control, but it will not be possible for the Secretary to certify that the GOE has made adequate progress

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on strengthening judicial independence. The political decision will be whether and when to waive conditionality on national security grounds. Senior levels of the GOE appear to expect a waiver. END SUMMARY.

12. (C) With the end of the Eid holiday period, the Egyptian reaction to the decision by Congress to condition \$100 million of US assistance to Egypt has become more pronounced.

Privately, GOE officials have expressed their anger at the decision by Congress but hope that the Secretary will use her authority to waive the conditionality. On December 23, Minister for Foreign Affairs Aboul Gheit told Ambassador that he had raised this issue with Secretary Rice in at the December 17 donors' conference in Paris, and urged that she issue the waiver "immediately."

13. (U) Initially, official public comment was limited to a December 21 statement by MFA spokesman Hossam Zaki in which he expressed Egypt's "rejection" of the conditionality. As reported by the press, Zaki stated that "it is obvious since the issue of withholding a part of the assistance was first raised in the US Congress that there are forces inside and outside the United States that want to damage Egyptian-American relations although these sides know Egypt's firm position in rejecting foreign pressure. It is known that the Israeli lobby played a role...."

14. (U) On December 26, the government-owned Al Ahram reported that Aboul Gheit said Egypt "would not allow a third party to meddle in its relationship with the United States." He went on to say that "those who follow the Egyptian

meetings and contributions to the issues of interest to the United States in the Middle East will find that this relationship is based on a good measure of understanding and coordination between two parties.... Egypt will thwart the endeavors of those trying to harm these relations." He observed that since the Israeli pull-out and Hamas takeover of Gaza, Israeli-Palestinian tensions have continued to rise.

Aboul Gheit said the Congressional conditionality on Egypt's aid reflected Israel's attempts to influence Egyptian moves towards Hamas. He also underlined continued Egyptian efforts to maintain border security between Gaza and Egypt.

15. (U) There has been considerable local media coverage of the decision. Most editorials considered the conditioning to be interference in Egyptian domestic affairs, and a humiliation. Manar El Chorbagy, an AUC professor, noted that the best way to avoid the use of aid as a political tool was to achieve real democracy. Others, including Al Dustour, and Al Usboa, suggested ending the aid relationship was the only way to achieve independence. Kefaya's George Ishak described the conditioning as "humiliating" and suggested that Egypt should not depend on a single source for military support. In contrast, Al Ahram Center Director Abdel Moneim pointed out that the benefits of the bilateral commercial relationship far outweigh those of aid, and asked why the impact of Hamas and the border issue was considered only in terms of Egyptian-US relations, and not examined for the damage it was doing to Egyptian national security.

16. (SBU) COMMENT: If the bill is signed in its present form, several decisions on how to implement the legislation must be made. It is our understanding that the Administration will have the option of assigning the conditionalities to \$100 million of FMF, ESF, or a combination of the two. In purely financial and administrative terms, there is sufficient money in the both

the FMF and USAID pipelines to keep programs running without the \$100 million in question for the current fiscal year. That is, other policy considerations aside, 2008 FMF and ESF funding will continue to flow for many months even in the absence of a certification or waiver.

17. (C) COMMENT CONTINUED: Egypt has taken some meaningful steps on the second and third conditions (improving police human right performance and Gaza border control). But we believe that it will not be possible for the Secretary to certify that the GOE has made adequate progress on the first condition, ie., strengthening judicial independence, in the near future. The political decision therefore will be whether and when to waive the conditionality on national security grounds. It appears that senior levels of the GOE expect the Secretary to go ahead with the waiver.

Ricciardone